Requirements

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15 June 1956

Chief, Information Requirements Staff

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Requirements for International Banking Seminar at Rutgers

BACKGROUND:

International banking officials from 5 Bloc countries will attend an International Banking Seminar at Rutgers University, July 8-21, 1956. 25X1A2g [redacted] has requested requirements for briefing [redacted] at the Seminar. 25X1A2g

The answers to these requirements may differ slightly from country to country. Unless otherwise indicated, however, the requirements are pertinent to all Bloc countries.

REQUIREMENTS:

1. In view of the difference in the Bloc between domestic prices and foreign trade prices (when the latter have been converted into domestic currency at official exchange rates), what special banking practices are involved? If the cost of an import (when translated into domestic currency) is higher than the official domestic price, who pays for the difference? In the opposite case who gets the surplus?

2. What purpose do the large Soviet gold reserves perform? Does Soviet law require minimum gold reserves to back its currency in circulation? If so, what is the rationale for gold reserves of this type? And if so, is this the major function of Soviet gold reserves or are they essentially looked upon as foreign exchange reserves?

3. Do the other Bloc countries require minimum gold holdings? If so, have they been able to maintain the required levels? And again, what is the rationale for such gold backing in view of the other controls that Bloc countries have over the amount of currency in circulation?

4. Does the USSR maintain a unified foreign exchange rate with both Bloc and Western countries?

5. Why doesn't the official ruble exchange rate more adequately reflect the ratio between international and domestic price levels?

6. How are ruble foreign trade prices established within the Bloc? Do they reflect domestic costs or are they based upon international prices? What is the relative importance of each of these factors? Do domestic price reforms affect foreign trade prices?

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7. Is there any attempt to pool hard currencies within the Bloc in the same way that the sterling area pools dollars?

8. What elements of multilateralism exist in intra-Bloc trade? Doesn't the USSR find bilateralism too restrictive and inflexible? Wouldn't multilateral clearing within the Bloc facilitate an expansion of trade?

9. What is the Bloc attitude toward the voluntary multilateral clearing between the Bloc and West Europe proposed by the ECE?

10. What is the significance of the exchange rates between the ruble and other Bloc currencies? Do these rates reflect relative domestic price levels? (Note: Commodity trade within the Bloc appears to be conducted in rubles. Thus intra-Bloc exchange rates may pertain only to non-commodity transactions.)

11. What is the significance of the gold ruble when the ruble is not used in trade with the West? Why was the ruble appreciated in value in 1950?

12. What rates of interest are charged by western banks for short-term financing of foreign trade? Is collateral usually required? If so, what type?

13. When the Bloc countries state the value of foreign trade, do they include merely commodity trade? Are the definitions used in Bloc foreign trade statistics the same as those in the Free World, e.g., are exports recorded by country of destination and imports by country of origin? Are foreign trade statistics based on the domestic price of the traded article or the foreign trade price? How are re-exports handled?

14. Do Gosbank's records serve as the basis for USSR foreign trade statistics? Or arc customs records the basis?

15. Are bilateral trade agreements actually balanced independently, or is it frequently necessary to resort to multilateral clearings or other switch operations? With increasing specialization of production within the Bloc is it likely that multilateral settlements will increase. If so, will these multilateral settlements be effected within the bilateral framework?

16. Finance Minister Zverev said in his budget speech on 26 December 1955 that 40 percent of Soviet short- and long-term bank loans was financed from the budget surplus.

a. How is the remaining 60 percent of bank credit financed?

b. What is done with the remainder of the surplus which is not devoted to bank loans?

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